

State of Alaska FY2006 Governor's Operating Budget

**Dept. of Commerce, Community, and Economic Dev.
Alaska Industrial Development and Export Authority
Component Budget Summary**

Component: Alaska Industrial Development and Export Authority

Contribution to Department's Mission

The mission of the Alaska Industrial Development and Export Authority (AIDEA) is to provide means of financing to promote economic growth and diversification in Alaska.

Core Services

Loan Participation Program

Conduit Revenue Bond Program

Business and Export Assistance Program

Rural Development Initiative Fund and Small Business Economic Development Revolving Loan Fund (AIDEA statutory programs, partially funded by AIDEA, managed by DCED)

Development Finance Program – AIDEA –owned projects

Staffing and administrative overhead for the Alaska Energy Authority

End Results	Strategies to Achieve Results
A: Increase Alaska investment and jobs in Alaska <u>Target #1:</u> 300 Permanent jobs created or retained in Alaska by AIDEA financing <u>Measure #1:</u> Number of permanent jobs created or retained in Alaska by AIDEA financing <u>Target #2:</u> AIDEA loan participation of 90% <u>Measure #2:</u> % of AIDEA loan participation. <u>Target #3:</u> 300 Construction jobs created or retained in Alaska by AIDEA financing <u>Measure #3:</u> # Construction Jobs created or retained in Alaska by AIDEA financing	A1: Expand the loan participation program <u>Target #1:</u> Keep loan delinquencies and loan losses at or below Alaska financial industry levels. <u>Measure #1:</u> Delinquency percentages and net losses compared to performance of Alaskan banks
End Results	Strategies to Achieve Results
B: Maintain/improve existing credit rating <u>Target #1:</u> "A" rating <u>Measure #1:</u> AIDEA's credit rating	B1: Maintain healthy cash reserves <u>Target #1:</u> 1:1 ratio of cash to GO debt outstanding <u>Measure #1:</u> Ratio of cash to outstanding GO debt outstanding.
End Results	Strategies to Achieve Results
C: AIDEA-owned projects will promote economic	C1: Educate the business community on opportunities

growth and be economically and financially feasible

Target #1: A 2 to 1 ratio of non-AIDEA capital investment to AIDEA capital investment for AIDEA-owned projects

Measure #1: Ratio of private and other public investment to AIDEA investment

at AIDEA that would utilize financing capabilities to promote qualified projects

Target #1: 75% of businesses surveyed have heard of and understand AIDEA's financing programs

Measure #1: Percent of businesses surveyed through the business outreach program who have knowledge of AIDEA's programs

Target #2: 10 proposed projects analyzed annually

Measure #2: Number of proposed projects analyzed

Major Activities to Advance Strategies

- | | |
|--|--|
| <ul style="list-style-type: none"> • Issue loans • Invest funds • Manage AIDEA-owned projects • Manage loan portfolio and mitigate risk through industry and geographic diversification • Facilitate business development opportunities | <ul style="list-style-type: none"> • Evaluate business proposals • Perform project feasibility studies • Participate in public outreach programs • Project management • Survey businesses to evaluate knowledge of AIDEA's programs |
|--|--|

FY2006 Resources Allocated to Achieve Results

FY2006 Component Budget: \$6,640,300

Personnel:

Full time	65
Part time	0
Total	65

Performance Measure Detail**A: Result - Increase Alaska investment and jobs in Alaska**

Target #1: 300 Permanent jobs created or retained in Alaska by AIDEA financing

Measure #1: Number of permanent jobs created or retained in Alaska by AIDEA financing

Number of Permanent Jobs Created or Retained in Alaska by AIDEA Financing

Year	YTD
2003	542
2004	630
2005	678

Analysis of results and challenges: AIDEA financing will help increase Alaska investment and jobs. This measure allows us to gauge our effectiveness.

Target #2: AIDEA loan participation of 90%

Measure #2: % of AIDEA loan participation.

Analysis of results and challenges: Legislation was effective July 1, 2003 to raise the participation rate from 80% to 90%.

This measure compares AIDEA's participation to the statutory allowable participation rate. 95% of AIDEA's loan participations are at 90%.

Target #3: 300 Construction jobs created or retained in Alaska by AIDEA financing

Measure #3: # Construction Jobs created or retained in Alaska by AIDEA financing

Number of Constuction Jobs Created or Retained in Alaska by AIDEA Financing

Year	YTD
2003	471
2004	310
2005	175

Analysis of results and challenges: AIDEA financing will help increase Alaska investment and jobs. This measure allows us to gauge our effectiveness.

A1: Strategy - Expand the loan participation program

Target #1: Keep loan delinquencies and loan losses at or below Alaska financial industry levels.

Measure #1: Delinquency percentages and net losses compared to performance of Alaskan banks

Loan Delinquencies & Loan Losses at or Below Alaska Financial Industry Levels

Year	YTD
2003	.88%
2004	1.5%

Analysis of results and challenges: We expect the loan participation to expand due to recently passed legislation. For FY 2005, AIDEA anticipates issuing \$100 million in loans, compared to \$78 million in FY2004. As of 6/30/04 the Alaska financial industry delinquency rate was 1.72%. AIDEA's total delinquent loan rate was 1.5% as of 6/30/04. This measure allows AIDEA to gauge its performance against the Alaska financial institutions.

B: Result - Maintain/improve existing credit rating

Target #1: "A" rating

Measure #1: AIDEA's credit rating

AIDEAs Standard & Poor's Credit Rating

Year	YTD
2003	A-

Analysis of results and challenges: The rates AIDEA charges on loan participations are dependent on AIDEA's credit rating in the financial markets; therefore, if AIDEA's credit rating declines, Alaska businesses will pay higher interest rates for AIDEA financing.

AIDEA's current credit rating (Standard and Poor's Rating: A- and Moody's Investors Service Rating: A2)

B1: Strategy - Maintain healthy cash reserves

Target #1: 1:1 ratio of cash to GO debt outstanding

Measure #1: Ratio of cash to outstanding GO debt outstanding.

Ratio of Cash to General Obligation Debt Outstanding

Year	YTD
2002	1.53
2003	1.67
2004	1.54

Analysis of results and challenges: Sufficient cash reserves allow AIDEA to maintain its "A" rating. This is a measure used by the rating agencies.

C: Result - AIDEA-owned projects will promote economic growth and be economically and financially feasible

Target #1: A 2 to 1 ratio of non-AIDEA capital investment to AIDEA capital investment for AIDEA-owned projects

Measure #1: Ratio of private and other public investment to AIDEA investment

Analysis of results and challenges: AIDEA expects future financing opportunities similar to the Delong Mountain Transportation System and the Federal Express Maintenance Facility in Anchorage. These projects provide jobs to their local economy and a return on AIDEA's investment. This ratio varies per project. For example, for the initial investment base for Red Dog Project, AIDEA invested approximately \$180 million in the DMTS, and Cominco invested approximately \$400 million in the Red Dog Mine.

This measure demonstrates AIDEA's ability to attract private or other public investment dollars.

C1: Strategy - Educate the business community on opportunities at AIDEA that would utilize financing capabilities to promote qualified projects

Target #1: 75% of businesses surveyed have heard of and understand AIDEA's financing programs

Measure #1: Percent of businesses surveyed through the business outreach program who have knowledge of AIDEA's programs

Analysis of results and challenges: AIDEA needs to market its financing capabilities. AIDEA will prepare a survey to determine the percentage of businesses with knowledge of AIDEA's financing programs. This measure will allow AIDEA to gauge the business community's knowledge of AIDEA's programs.

Target #2: 10 proposed projects analyzed annually

Measure #2: Number of proposed projects analyzed

Analysis of results and challenges: AIDEA's decisions to not participate in projects are as significant as decisions to participate in projects. The process of sorting out viable opportunities from poor prospects is one of AIDEA's primary challenges. This a new measure that will allow AIDEA to gauge the business community's interest in AIDEA's financing programs.

Key Component Challenges

Continue the work of the joint AIDEA/Golden Valley Electric Association committee to resolve disagreements blocking start-up and operation of the Healy Clean Coal Plant.

Increase the loan portfolio while maintaining the highest credit quality and generating increased earnings.

Continue support of the shipyard development project and negotiate a long-term operating agreement with a shipyard operator that will bring the greatest economic benefits to the City and Borough of Ketchikan, while allowing for a return on the Authority's cash investment in the project.

Significant Changes in Results to be Delivered in FY2006

No significant changes.

Major Component Accomplishments in 2004

Legislation expanding the loan participation program was approved during the 2003 Legislative Session.

AIDEA funded 46 loans for a total of \$78,682,478 an increase of 31% in total dollars over Fiscal Year 2003.

AIDEA received 83 applications for loan participations totaling \$154,752,630 an increase of 185% in total dollars over Fiscal Year 2003.

AIDEA sold its 49% interest in the Seward Coal Facility to the Alaska Railroad.

The second ship lift at the Ketchikan shipyard is currently in the design phase. AIDEA has negotiated a long-term operating agreement with Alaska Ship and Drydock, the current shipyard operator. The agreement is expected to be executed in FY2005.

Prepared the Alaska Seafood Institute facility for sale; AIDEA expects to finalize the purchase sale agreement in FY 2005.

Statutory and Regulatory Authority

AS 44.88 Alaska Industrial Development and Export Authority
3 AAC 99 Alaska Industrial Development and Export Authority

Contact Information
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Alaska Industrial Development and Export Authority Component Financial Summary

All dollars shown in thousands

	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	4,221.0	5,069.1	5,184.2
72000 Travel	28.7	68.2	68.2
73000 Services	1,062.6	1,410.5	1,333.5
74000 Commodities	48.0	38.9	38.9
75000 Capital Outlay	87.4	15.5	15.5
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	5,447.7	6,602.2	6,640.3
Funding Sources:			
1004 General Fund Receipts	0.0	75.5	0.0
1007 Inter-Agency Receipts	2,330.2	2,505.3	2,534.5
1102 Alaska Industrial Development & Export Authority Receipts	3,117.5	4,021.4	4,105.8
Funding Totals	5,447.7	6,602.2	6,640.3

Estimated Revenue Collections

Description	Master Revenue Account	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Interagency Receipts	51015	2,330.2	2,505.3	2,534.5
AK Industrial Dev. Export Auth. Receipts	51406	3,117.5	4,021.4	4,105.8
Restricted Total		5,447.7	6,526.7	6,640.3
Total Estimated Revenues		5,447.7	6,526.7	6,640.3

**Summary of Component Budget Changes
From FY2005 Management Plan to FY2006 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	75.5	0.0	6,526.7	6,602.2
Adjustments which will continue current level of service:				
-Transfer from AIDEA Facilities Maintenance Component	0.0	0.0	30.0	30.0
-FY 05 Bargaining Unit Contract Terms: GGU	0.7	0.0	0.0	0.7
-FY06 Cost Increases for Bargaining Units and Non-Covered Employees	0.0	0.0	58.5	58.5
-Adjustments for Personal Services Working Reserve Rates and SBS	0.0	0.0	25.1	25.1
Proposed budget decreases:				
-Delete Grant Administrator Position (PCN 08-?001)	-76.2	0.0	0.0	-76.2
FY2006 Governor	0.0	0.0	6,640.3	6,640.3

Alaska Industrial Development and Export Authority Personal Services Information

Authorized Positions			Personal Services Costs	
	<u>FY2005</u> <u>Management</u> <u>Plan</u>	<u>FY2006</u> <u>Governor</u>		
Full-time	66	65	Annual Salaries	3,904,948
Part-time	0	0	Premium Pay	64,056
Nonpermanent	0	0	Annual Benefits	1,805,100
			<i>Less 6.97% Vacancy Factor</i>	<i>(402,704)</i>
			Lump Sum Premium Pay	0
Totals	66	65	Total Personal Services	5,371,400

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant	4	0	0	0	4
Accountant II	1	0	0	0	1
Accounting Technician	3	0	0	0	3
Accounting Technician II	2	0	0	0	2
Admin Assistant	1	0	0	0	1
Administrative Assistant	1	0	0	0	1
Administrative Clerk III	2	0	0	0	2
Administrative Clerk IV	1	0	0	0	1
Administrative Manager	1	0	0	0	1
Assistant Project Manager	1	0	0	0	1
Business Plan Dev Specialist	1	0	0	0	1
Contracts Admin II	1	0	0	0	1
Credit Administrator	1	0	0	0	1
Data Systems Specialist	1	0	0	0	1
Dep Dir/Project Dev/Operations	1	0	0	0	1
Dep Dir-Bus Dev-Rural Energy	1	0	0	0	1
Deputy Director	1	0	0	0	1
Deputy Director Credit	1	0	0	0	1
Deputy Director Finance	1	0	0	0	1
Development Specialist II	1	0	0	0	1
Executive Director	1	0	0	0	1
Finance Assistant	3	0	0	0	3
Financial Analyst	1	0	0	0	1
Loan Officer II	2	0	0	0	2
Loan Servicing Officer	1	0	0	0	1
Loan Servicing Technician II	2	0	0	0	2
Mgr Training & Rural Outreach	1	0	0	0	1
Operations Manager	1	0	0	0	1
Procurement Manager	2	0	0	0	2
Program Manager	3	0	0	0	3
Project Assistant	1	0	0	0	1
Project Development Manager	1	0	0	0	1
Project Manager	9	0	0	0	9
Project Manager II	2	0	0	0	2
Rural Development Manager	1	0	0	0	1
Rural Electric Utility Worker	3	0	0	0	3
Technical Engineer II	2	0	0	1	3
Warehouse Manager	1	0	0	0	1

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Totals	64	0	0	1	65